

VANDERBILT CORWITH FIRE
AND RESCUE BOARD
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Vanderbilt Corwith Fire and Rescue Board	County Otsego
Audit Date March 31, 2006	Opinion Date August 9, 2006	Date Accountant Report Submitted to State: August 9, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co. P.C.</i>			

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	15

CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

August 9, 2006

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Vanderbilt Corwith Fire and Rescue Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Vanderbilt Corwith Fire and Rescue Board covers the Fire Board's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$239,078.78 for governmental activities. Overall total capital assets increased due to the purchase of a fire truck.

Overall revenues were \$229,994.44.

The Fire Board borrowed \$105,990.00 from Kansas State Bank to partially fund the purchase of a fire truck.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Board and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Fire Board in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Fire Board as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Board's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Board are reported as governmental activities. These include the General Fund.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Fire Board's funds, focusing on significant (major) funds not the Fire Board as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Fire Board has the following types of funds:

Governmental funds: All of the Fire Board's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Fire Board's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Fire Board's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE FIRE BOARD AS A WHOLE

Our largest expenditures are in the capital outlay category, accounting for approximately two thirds of our budget.

FINANCIAL ANALYSIS OF THE FIRE BOARD'S FUNDS

The General Fund pays for all of the Fire Board's governmental services.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Board's governmental activities invested \$152,990.00 in capital assets.

The Fire Board's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Passage of the 2.0 mill, 5 year property tax levy assures funding for the next 5 years.

CONTACTING THE FIRE BOARD'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Fire Board Clerk or Fire Board Treasurer at 989-983-2865.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	149 531 32
Taxes receivable	<u>17 398 66</u>
Total Current Assets	<u>166 929 98</u>
NON-CURRENT ASSETS:	
Capital Assets	196 011 00
Less: Accumulated Depreciation	<u>(17 872 20)</u>
Total Non-current Assets	<u>178 138 80</u>
TOTAL ASSETS	<u><u>345 068 78</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>105 990 00</u>
Total Non-current Liabilities	<u>105 990 00</u>
Total Liabilities	<u>105 990 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	72 148 80
Unrestricted	<u>166 929 98</u>
Total Net Assets	<u>239 078 78</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>345 068 78</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	<u>80 594 46</u>	<u>-</u>	<u>(80 594 46)</u>
Total Governmental Activities	<u>80 594 46</u>	<u>-</u>	<u>(80 594 46)</u>
General Revenues:			
Property taxes			121 962 17
Interest			1 088 72
Miscellaneous			<u>953 55</u>
Total General Revenues			<u>124 004 44</u>
Change in net assets			43 409 98
Net assets, beginning of year			<u>195 668 80</u>
Net Assets, End of Year			<u>239 078 78</u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2006

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	149 531 32
Taxes receivable	<u>17 398 66</u>
Total Assets	<u>166 929 98</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Total liabilities	<u>-</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>166 929 98</u>
Total fund equity	<u>166 929 98</u>
Total Liabilities and Fund Equity	<u>166 929 98</u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	166 929 98
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	196 011 00
Accumulated depreciation	(17 872 20)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	<u>(105 990 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>239 078 78</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2006

	<u>Total (General)</u>
Revenues:	
Property tax	121 962 17
Interest	1 088 72
Miscellaneous	<u>953 55</u>
Total revenues	<u>124 004 44</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages	31 198 94
Payroll taxes	2 386 72
Insurance	13 433 00
Repairs and maintenance	2 701 59
Supplies	11 962 20
Telephone	1 692 06
Utilities	3 937 38
Audit	1 200 00
Miscellaneous	2 242 02
Capital outlay	<u>152 990 00</u>
Total expenditures	<u>223 743 91</u>
Excess of revenues over expenditures	(99 739 47)
Other financing sources (uses):	
Loan proceeds	<u>105 990 00</u>
Total other financing sources (uses)	<u>105 990 00</u>
Excess of revenues and other sources over expenditures and other uses	6 250 53
Fund balance, April 1	<u>160 679 45</u>
Fund Balance, March 31	<u><u>166 929 98</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 6 250 53

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(9 840 55)
Capital Outlay	152 990 00

Receipt of debt proceeds is a financing source in the governmental funds, the receipt
Does not have an effect in the statement of activities but does increase the debt
Balance in the statement of net assets.

Loan proceeds	<u>(105 990 00)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>43 409 98</u></u>
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The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Board contain all the Fire Board funds that are controlled by or dependent on the Fire Board's executive or legislative branches.

The reporting entity is the Vanderbilt Corwith Fire and Rescue Board. The Fire Board is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Board as the primary government.

The Fire Board was organized in 1992 and includes the Village of Vanderbilt and the Township of Corwith. The governing Fire Board consists of 5 members – two appointed by each local unit of government and the fifth member is appointed by the other members. The Fire Board provides fire protection services to the local units and is considered a separate entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Board's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Board reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Board which pertain to maintaining and operating the Fire Board. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Board. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 2.00 mills, and the taxable value was \$61,011,870.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Fire Board as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	10-20 years
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Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Board provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Fire Board funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Board's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>149 531 32</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>50 097 08</u>
Total Deposits	<u>150 097 08</u>

The Fire Board did not have any investments as of March 31, 2006.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Fire Board's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Equipment	43 021 00	152 990 00	-	196 011 00
Total	43 021 00	152 990 00	-	196 011 00
Accumulated Depreciation	(8 031 65)	(9 840 55)	-	(17 872 20)
Net Capital Assets	34 989 35	143 149 45	-	178 138 80

Note 5 – Changes in Governmental Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Note payable	-	105 990 00	-	105 990 00
Total	-	105 990 00	-	105 990 00

Note 6 – Note Payable- Fire Truck

On September 22, 2005, the Fire Board obtained a loan in the amount of \$105,990.00 to partially fund the purchase of a fire truck. The loan requires payment in five annual payments in the amount of \$24,244.64 including interest. As of March 31, 2006, the principal balance outstanding was \$105,990.00.

Note 7 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 8 – Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Pension Plan

The Fire Board does not have a pension plan.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	117 495 00	117 495 00	121 962 17	4 467 17
Interest	1 200 00	1 200 00	1 088 72	(111 28)
Miscellaneous	-	-	953 55	953 55
Total revenues	<u>118 695 00</u>	<u>118 695 00</u>	<u>124 004 44</u>	<u>5 309 44</u>
Expenditures:				
Public safety:				
Fire protection:				
Wages	33 000 00	31 200 00	31 198 94	(1 06)
Payroll taxes	3 000 00	2 400 00	2 386 72	(13 28)
Insurance	13 500 00	13 500 00	13 433 00	(67 00)
Repairs and maintenance	9 255 00	3 151 00	2 701 59	(449 41)
Training	4 000 00	-	-	-
Supplies	2 250 00	11 971 00	11 962 20	(8 80)
Telephone	1 500 00	1 693 00	1 692 06	(94)
Utilities	3 540 00	3 940 00	3 937 38	(2 62)
Audit	1 800 00	1 400 00	1 200 00	(200 00)
Miscellaneous	2 750 00	2 450 00	2 212 02	(207 98)
Capital outlay	<u>44 100 00</u>	<u>152 990 00</u>	<u>152 990 00</u>	<u>-</u>
Total expenditures	<u>118 695 00</u>	<u>224 695 00</u>	<u>223 743 91</u>	<u>(951 09)</u>
Excess of revenues over expenditures	-	(106 000 00)	(99 739 47)	6 260 53
Other financing sources (uses):				
Loan proceeds	-	106 000 00	105 990 00	(10 00)
Total other financing sources (uses)	<u>-</u>	<u>106 000 00</u>	<u>105 990 00</u>	<u>(10 00)</u>
Excess of revenues and other sources over expenditures and other uses	-	-	6 250 53	6 250 53
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>160 679 45</u>	<u>160 679 45</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>166 929 98</u>	<u>166 929 98</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 9, 2006

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the financial statements of the Vanderbilt Corwith Fire and Rescue Board for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Vanderbilt Corwith Fire and Rescue Board in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants